ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

ORIGINAL
FILE

In the Matter of BILLED PARTY PREFERENCE FOR 0+ INTERLATA CALLS	)))))	CC Docket No. 92-77

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JUL - 7 1992
Federal Communications Commission
Office of the Secretary

COMMENTS OF SPRINT CORPORATION

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No. of Copies rec'd 0+6
List A B C D E

July 7, 1992

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SUMMARY

Sprint strongly supports the Commission's tentative conclusion that a system of billed party preference is in the public interest. Billed party preference redirects competition for public phone traffic towards the end user and away from the premises owner commission payments that drive the present presubscription of public phones, permits customers of all carriers to enjoy the convenience of 0+ dialing to access their preferred carrier, and, for the first time, creates a level competitive playing field in the operator services and calling card markets. While Sprint believes that billed party preference would bring enormous benefits to the public at large and to interexchange competition, Sprint recognizes that a decision whether to require implementation of billed party preference requires examination of the costs of billed party preference and other implementation issues, and the industry's responses to the questions set forth in the Commission's NPRM should develop a comprehensive record for further action on this important issue.

Sprint supports implementation of billed party preference for all domestically-billed 0+ and 0- calls from all phones, including public phones, business and residential phones. The costs of implementing billed party preference are essentially the same for plenary deployment as they would be for a more limited deployment (e.g., just public phones or only payphones), and thus, the unit costs of billed party preference should be lower with universal deployment. In addition, the public would not have to suffer the inconvenience of separate systems of access to

operator services depending on the type of phone from which those calls originate.

Billed party preference should be required on a nation-wide basis, even from non-equal access areas. The deployment of AABS and utilization of voice recognition technology should eliminate the "double operator" problem and make billed party preference as convenient for collect calls and calls billed to a third number as it would be for calling cards. Even smaller IXCs who may operate in only limited regions of the country can, through arrangements with other carriers, fully participate in billed party preference on a nationwide basis.

Billed party preference should not have a significant negative effect on access and call set-up times. On the contrary, with the automation of collect calls and calls billed to a third number, the access time may be less than the time such calls require today using "live" operators. Furthermore, consumers placing calls from public telephones will no longer have to take the additional time, before they even begin to dial, to figure out how to reach their preferred carrier from a particular phone. There is also no reason why commercial credit cards could not be compatible with billed party preference if the card issuers are willing to develop a recognizable numbering format and a LIDB database accessible through industry standard interfaces. If the commercial credit card companies do not wish to undertake this effort, however, they can continue the partnering relationships with IXCs, using access codes.

Sprint recognizes that not all local exchange carriers are in an equal position to implement the technology for a state-of-the-art, consumer-friendly system of billed party preference. At the same time, Sprint believes that a nationwide cutover to billed party preference is necessary to avoid customer confusion in dialing patterns when customers move one LEC's territory to another's. Sprint believes the solution to this dilemma is to set forth differing service standards for the initial deployment of billed party preference as between the RBOCs and the independent LECs, giving the independent LECs additional time after their initial deployment of billed party preference to implement fully customer-friendly systems. Thus, the implementation date should be set to enable the RBOCs to fully deploy billed party preference with the service standards the Commission prescribes. Sprint estimates that a three-year period after the Commission issues a final order in this proceeding should be sufficient for finalization of industry technical standards and the actual implementation of billed party preference.

This implementation period should be more than sufficient to allow for the modification of the LIDBs to permit 14-digit screening of multiple line-numbered cards, and the Commission should direct the LECs to undertake such modifications. The line-number format is by far the most convenient calling card format for consumers: they already know their phone number, so all they have to remember is a 4-digit PIN. There is no reason why IXCs and LECs alike should not be able to use this format in a billed party preference environment.

At the present time, Sprint does not believe that the Commission should require the LECs to undertake a balloting process so that local exchange customers can pick a 0+ carrier that is different from their 1+ carrier. Many consumers are likely to be confused by any such balloting process and the costs are likely to outweigh the public benefit. Instead, the LECs should simply be required to notify their customers that they have the option of choosing a different 0+ carrier than their 1+ carrier, and to honor such requests through established PIC change procedures.

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COMMENTS OF SPRINT CORPORATION

Sprint Corporation, on behalf of Sprint Communications Co. and the United Telephone companies, hereby submits its comments on billed party preference in response to the Commission's May 8, 1992 Notice of Proposed Rulemaking, 7 FCC Rcd 3027.

I. INTRODUCTION: BILLED PARTY PREFERENCE WILL PROMOTE THE PUBLIC INTEREST.

Sprint welcomes the initiation of this proceeding and strongly supports the Commission's tentative conclusion that a system of billed party preference for 0+ calls is in the public interest. The fundamental public interest benefit of billed party preference is simple and straightforward: it would "redirect[] the focus of OSP competition for public phone traffic towards the end user and away from the recipient of 0+ commissions" (NPRM at para. 13, 7 FCC Rcd at 3029). This redirection of competition would treat the root cause, not just the symptoms, of the "widespread consumer dissatisfaction with the rates and practices of many OSPs ..." (NPRM, para. 6, 7 FCC Rcd at 3028). The root cause of the public's dissatisfaction is that with a system of presubscription of public phones, the choice of carrier is made by the premises owner and is driven to a large degree by the amount of commissions paid by OSPs to the premises owner. The premises owner and the OSP share a common interest in maximizing the amount of traffic carried by the presubscribed OSP and frustrating the ability of callers to "dial around" to their preferred OSPs. And undoubtedly, it is the commission-driven competition for presubscription of public phones that induces many alternative operator service ("AOS") providers to charge such high rates to the public.

Congress sought to address these problems by enacting the Telephone Operator Consumer Services Improvement Act (TOCSIA) which either directly, or through Commission-promulgated rules, required greater disclosure to consumers (e.g., by requiring OSPs to "brand" calls and by requiring traffic aggregators to post the name of the presubscribed OSP on or near the public phones), attempted to eliminate, over time, the blocking of access to the customer's preferred carrier, and encouraged the Commission to monitor more actively the rates charged by the AOS providers. Despite the best intentions of Congress, however, these legislative remedies simply treat the symptoms of customer dissatisfaction and not the underlying cause. Moreover, it is far from clear that the TOCSIA remedies will be effective. First, the rates charged by many AOS providers -- even those whose rates have been subject to investigation by the Commission -- remain very high in relation to the rates charged by full service OSPs,[1]

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[1]See, for example, One Call Communications, Inc. (DA 92-162, February 5, 1992), terminating an investigation of One Call's (Footnote Continued)

and no amount of Commission regulation can remove the underlying incentive to charge high rates. Second, the requirement to unblock 10XXX access from public phones has been stayed, and may not be fully effective for years to come.[2] Third, the signage and unblocking requirements of this legislation apply to tens of thousands of business establishments throughout the country which have never previously been subject to the Commission's jurisdiction,[3] and in view of the Commission's limited staff resources, it is far from clear that these requirements will be capable of effective enforcement.

Billed party preference, unlike TOCSIA, attacks the root cause of the problems that have surfaced in operator services. If, as Sprint recommends, billed party preference is applied to all domestically-billed 0+ and 0- calls, presubscription would have a greatly diminished importance to the operator service

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(Footnote Continued)
rates after reductions for a sample eight minute call from $7.87 to $6.56. However, the reduced rate remains well above the highest rate charged by full service carriers. For example, Sprint's highest rates for a sample eight minute call range from a maximum of $2.80 for automated call completion to a maximum of $3.88 for operator assisted calls. See Sprint's March 23, 1992 Operator Services Report submitted in CC Docket No. 90-313, Phase II.

[2]Under the Commission's Report and Order in CC Docket No. 91-35, public phones were to have been unblocked on a phased basis ending April 17, 1997 (6 FCC Rcd 4736, 4751). However, on March 13, 1992, this unblocking schedule was stayed pending reconsideration (FCC 92-101), and it appears that, on reconsideration, the Commission has decided to postpone at least some of the dates for unblocking in its earlier decision (see Report No. DC-2144, June 25, 1992).

[3]I.e., owners of premises where public phones are located.

providers.[4] The call would be directly connected with the paying party's preferred carrier, and consumers would not be held captive by the presubscription decision of the public phone premises owner. Operator service providers would concentrate their competitive energy and marketing and technical ingenuity in delivering the best possible service to the calling public at the lowest possible price. This, in Sprint's view, is what the public interest is all about.

In addition, a system of billed party preference would give consumers the ease of access they want for calling card calls. Rather than having to dial (and look up or remember) an access code, 0+ is all that would be needed to enable them to reach their carrier of choice.

Billed party preference would also serve to correct the structural imbalances that exist in the calling card and operator services market segments today. These imbalances were discussed at length by Sprint and others in the comments submitted last month in this proceeding, as well as in the predecessor dockets to this proceeding. In a nutshell, AT&T has synergistic advantages today in both the calling card and the public phone presubscription market segments: because of its large presubscription share, it is the only carrier that, as a practical matter, can offer 0+ dialing to its calling card customers, which gives its

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[4] From pay telephones, only 1+ coin-sent-paid calls would be routed to the presubscribed carrier. From other types of public phones (e.g., hotel phones), 1+ calls billed back to the originating number would still be governed by presubscription.

card an ease-of-access advantage over cards of carriers like Sprint who must have their callers resort to access codes ranging from five to eleven digits in length for all calling card calls. AT&T's ease-of-access advantage serves to entrench the large base of calling card customers it inherited from the local exchange industry at divestiture, which has enabled AT&T to further increase its penetration of the public phone presubscription marketplace since it has more "captive" traffic on which to pay commissions than any other carrier. Furthermore, AT&T has been able to capitalize on the public's fear of reaching high-rate AOS providers in its extensive advertising of its proprietary calling cards.

With billed party preference, AT&T's ease-of-access advantage would disappear: any carrier large or small, would be able to offer 0+ access to its customers from any phone. Furthermore, as explained above, the presubscription of public phones would have far less marketplace significance under billed party preference. Thus, every provider of operator services would be able to compete in the marketplace on the basis of the price and quality and range of services it offers to the public. The removal of the structural barriers to full competition that exist today in these market segments should hasten the day when the Commission could justifiably further reduce its remaining regulatory oversight of AT&T.

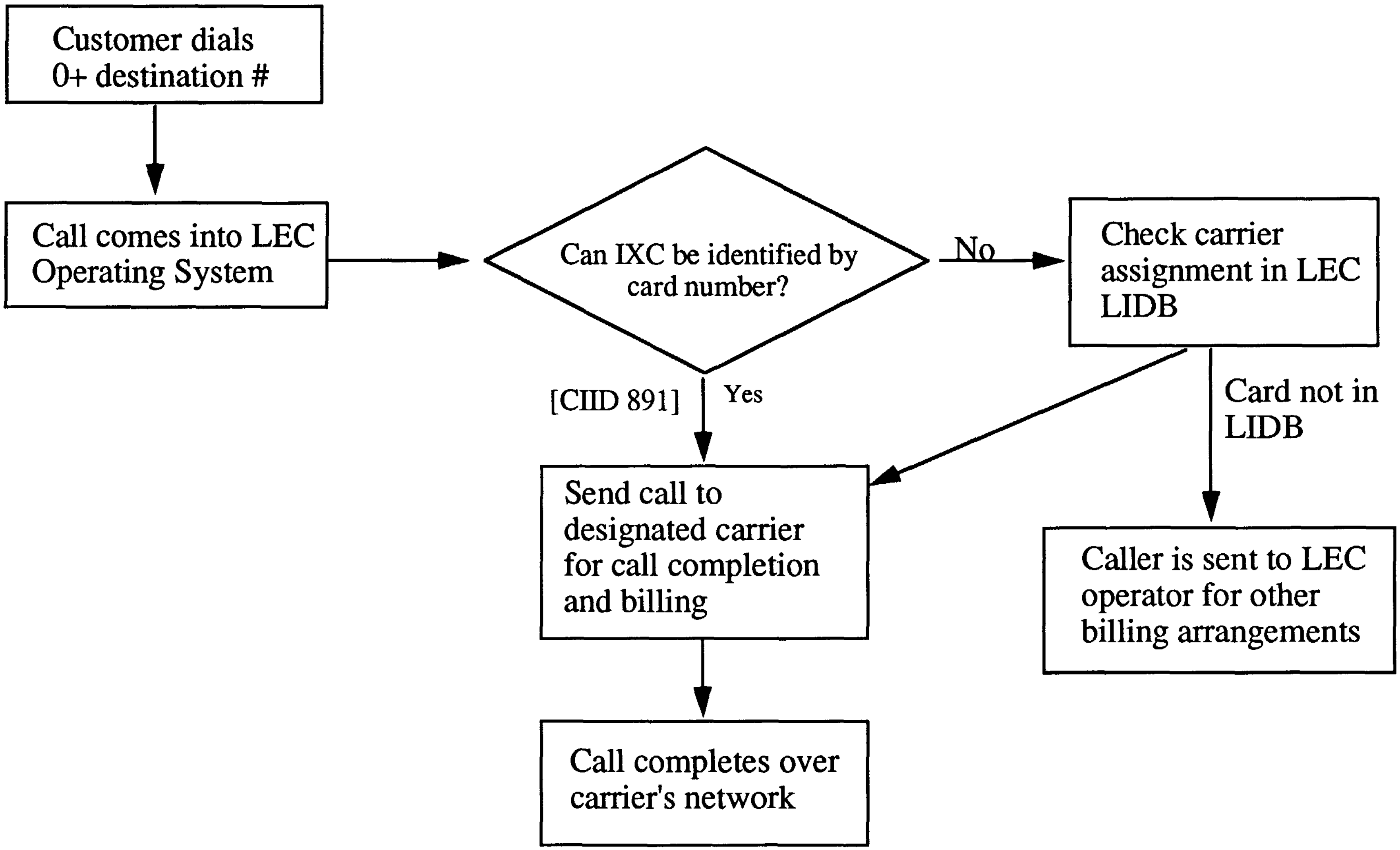
While Sprint believes that billed party preference would bring enormous benefits to the public at large and to interexchange competition, Sprint has always recognized that a decision whether to require implementation of billed party preference requires examination of the costs of billed party preference and other implementation issues. In the NPRM, the Commission has sought comment on a number of detailed questions concerning the cost and implementation of billed party preference that should produce a comprehensive record on which the Commission can go forward with a final decision. Before expressing Sprint's position on those issues, Sprint believes it may be helpful to briefly describe billed party preference and how it would work.

II. EXPLANATION OF BILLED PARTY PREFERENCE.

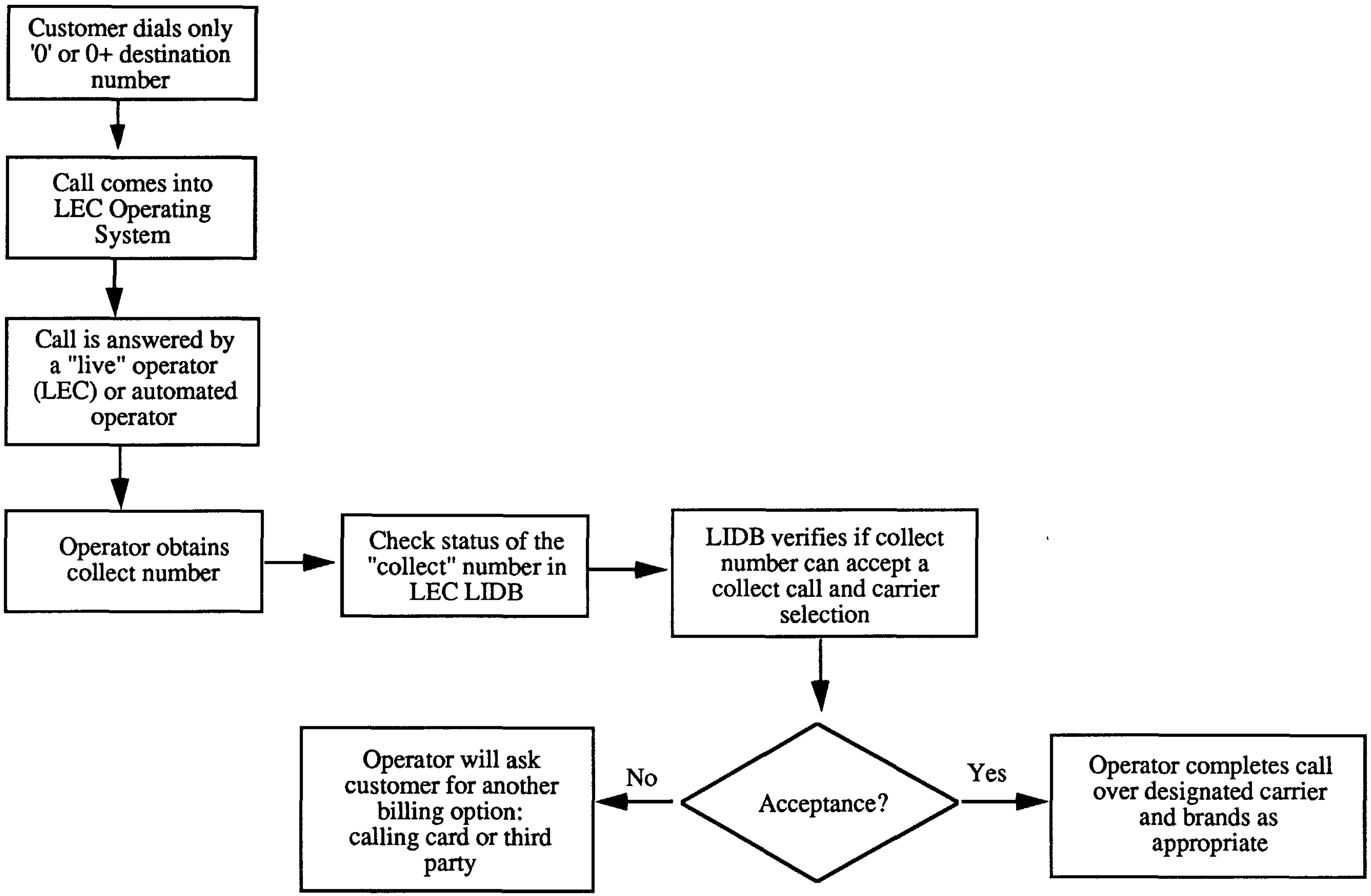
In the broadest sense, billed party preference is the equivalent for 0+/0- calls of equal access for 1+ calls. The call is automatically routed to the operator service provider preferred by the party paying for the call, whether that party is the calling party (e.g., in the case of a call charged to a calling card) or the called party (e.g., a domestic collect call), or even a party not directly involved in the call (e.g., a call billed to a domestic third number). The routing of calling card, collect, and billed-to-third-number calls, respectively, are illustrated in the diagrams on the following three pages.

In the case of calling card calls, the consumer will dial 0 plus the called number and then will receive a prompt or a tone to input the calling card number. The LEC switch will screen the first six digits of the calling card. If the card is

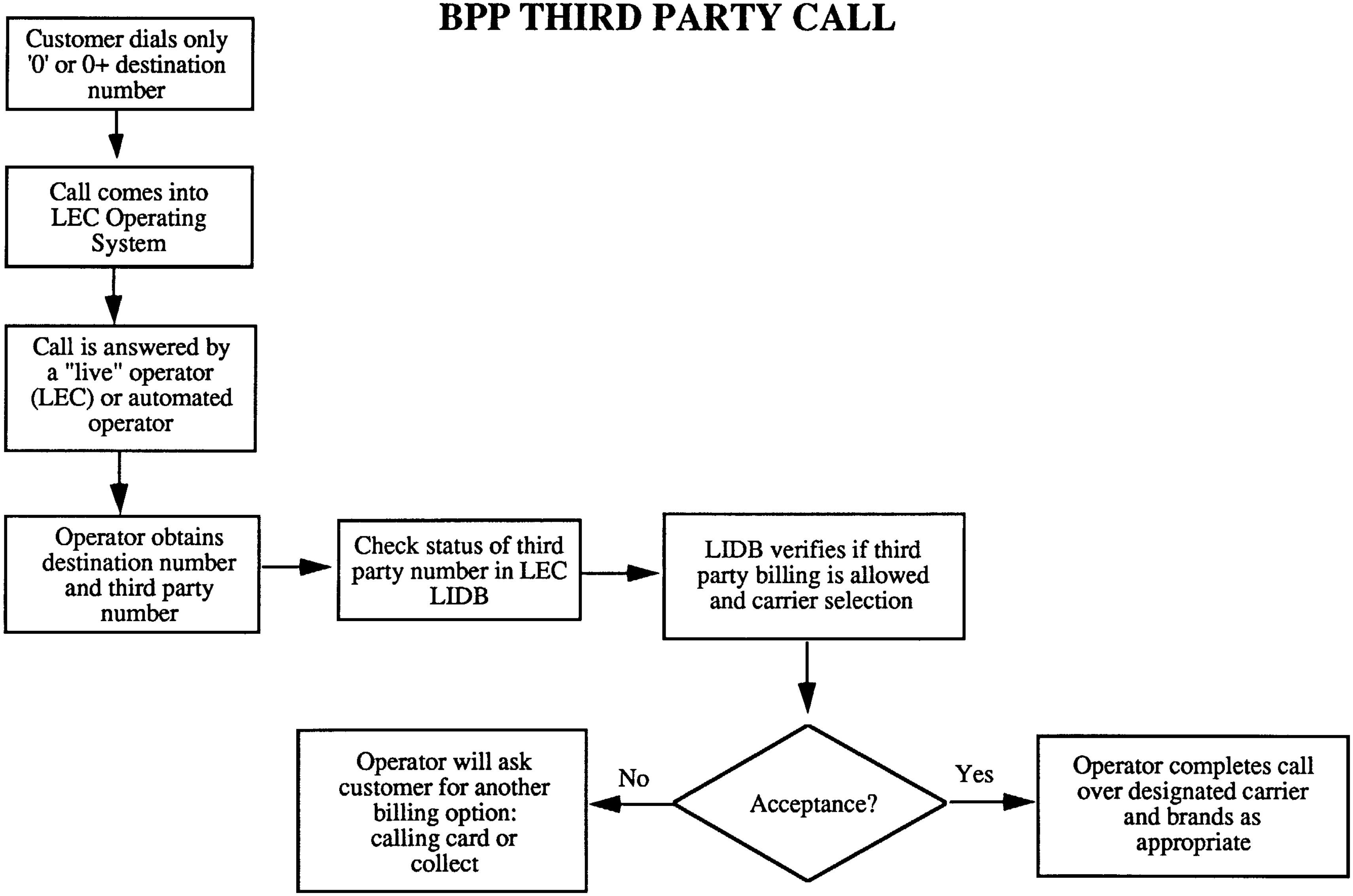
BASIC BPP CARD CALL FLOW



BPP COLLECT CALL FLOW



BPP THIRD PARTY CALL



identifiable as an OSP-issued card,[5] the LEC will route the call to the designated OSP, and will furnish the OSP with necessary routing and billing information (i.e., the originating ANI, the called number and the calling card number). The OSP will then validate the calling card number in its own database and complete the call. If the calling card is not in a format associated with a particular OSP (e.g., a line-numbered card utilizing the calling party's home telephone number plus a four digit PIN), the LEC will query the appropriate LIDB database[6] for validation of the calling card number and for routing instructions found in the database. The LEC would then route the call to the designated OSP for completion and billing and would forward all necessary information to the OSP for those purposes. The customer's choice of a particular calling card should be taken as evidence of a customer's desire to be billed by the card issuer for all calls made on that card. Thus, if the call is charged to an OSP-issued calling card, the OSP would have the right to bill and collect for the call, although the OSP could use LEC billing and collection services if it wished to do so. By the same token, if the call were charged to a LEC-issued calling card, Sprint believes that the LEC should have the right to bill and collect for the call on behalf of the OSP.

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[5]There are two calling card formats today that identify the issuing carrier in the first six digits of the card: the so-called "CIID" format and the "891" or "CCITT" format.

[6]For example, if the calling card number begins with 202-632, the LEC would send a query to Bell Atlantic's database.

Collect and billed third number calls would work in much the same way: the customer would input the called or billed number and the LEC would query the appropriate LIDB to ascertain the PIC associated with that number. The LEC would then route the call, together with necessary completion and billing information, to the designated OSP. The use of Signalling System 7 and Exchange Access Operator Services Signalling ("EAOSS") would permit an efficient exchange of the necessary information between the LEC and the OSP.

III. 14-DIGIT LIDB SCREENING IS FEASIBLE, HIGHLY DESIRABLE, AND SHOULD BE REQUIRED.

As indicated in the preceding section, one requirement for billed party preference is that an OSP-issued card be identifiable by the LECs so that calling card calls can be routed to the proper carrier for completion. In the past, it has been assumed that OSPs would need to issue their cards in either the CIID or 891 format for this identification to occur. However, in the NPRM, the Commission correctly observed (n. 19 at 3029) that if the LECs performed a 14-digit screening in their LIDBs, consumers could have the convenience of line-numbered cards issued by one or more OSPs, in addition to or instead of a line-numbered card issued by the serving LEC, in a billed party preference environment.[7] The Commission asked for comment on whether such 14-digit screening in LIDB is feasible or desirable and whether potential

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[7] Each card would have the same first ten digits (the consumer's telephone number), but the 4-digit PIN would be different for each card issuer.

fraud problems associated with multiple line-numbered cards outweighs the potential benefits (id.).

Sprint believes it is highly desirable to allow OSPs to retain line-numbered cards under billed party preference. There is little question that this format is the most consumer-friendly of all calling card formats. The consumer does not need to use a lengthy or "scrambled" number;[8] instead, all the customer needs to remember (or to look up) is the four digit PIN.

Many OSPs have utilized these convenient line-numbered cards: Sprint and MCI both use this format for some of their proprietary calling cards, and AT&T historically shared this format with the LECs. There is no reason why OSPs should not be able to continue to use this convenient format in a billed party preference environment.[9] This would not only serve to make access to operator services more "friendly" to the consumer, but it would also avoid the needless and considerable expense of requiring many OSPs to replace these calling cards with cards bearing a CIID or a 891 format.

Fourteen-digit screening in LIDB is feasible within the timeframe for implementing billed party preference. It is

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[8] The CIID number is fourteen digits, and although the first six digits are not truly random (they identify a particular IXC), the whole number appears to be scrambled to the card user. The 891 numbering format is even longer: twenty-one digits.

[9] AT&T still has several million non-proprietary line-numbered cards outstanding as part of its former shared calling card system with the local exchange industry, and could retain this format under billed party preference simply by issuing its own PIN.

Sprint's understanding that some form of 14-digit screening may be available for the Bellcore-standard LIDBs by the end of 1993, although it is not clear whether this scheduled enhancement would permit validation of multiple line-numbered cards. However, there is no technological barrier to 14-digit screening for multiple cards in LIDB within the time period otherwise needed for implementing billed party preference, and the convenience to the public of line-numbered cards is so great that all LIDBs should be required to perform 14-digit screening of multiple line-numbered cards.

The Commission also inquired whether potential fraud problems from having multiple line-numbered cards would outweigh the potential benefits. Sprint believes that the potential fraud problems are manageable. The industry has made great strides in recent years in improving fraud detection and related security measures, and Sprint is confident that the industry will be able to minimize any increase in toll fraud from multiple carriers issuing line-numbered cards with the same ANI.

IV. <u>CONSUMER ATTITUDES TOWARDS ACCESS CODE DIALING.</u>

The Commission, in paragraph 18 of the <u>NPRM</u> (7 FCC Rcd at 3030), seeks "comment and evidence on consumer attitudes towards an acceptance of access code dialing...." Sprint does not have any market research going to this precise issue--that is, whether, all other things being equal, consumers would prefer to dial an access code rather than simply dial 0+. However, it is self-evident that consumers prefer the simplest dialing method possible,[10] and it is inconceivable that consumers would prefer to dial an access code instead of simply dialing 0+ to obtain the same services, using the same calling card number, from the same carrier. It is relevant to observe, in this context, that the MFJ Court rejected the mandatory use of access codes as a means of implementing equal access from RBOC-owned payphones:[11]

> This would be a gross inconvenience to the public; unending public confusion and dissatisfaction would be inevitable if the great bulk of the long distance calls from public telephones could not be completed because the caller could not remember his access code -- as many could not. It is precisely because five-digit access codes are inconvenient and difficult to remember that the equal access provisions of the decree mandate the universal use of the single digit.

Consumer preference for 0+ dialing is easily understandable. As the Commission noted (7 FCC Rcd at 3030):

> if the caller wants to be assured of reaching his/her carrier all the time, the caller still has to dial access codes all the time or determine in each instance whether an access code is necessary, and use that access code if it is necessary.

Actually, the task facing consumers today is even more complicated than the description above. Some access codes will work from some phones and not others, and thus, the consumer has to know not only <u>whether</u> an access code must be used, but also <u>which</u>

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[10] Consumer preference for simple means of access is corroborated by a survey conducted for BellSouth in Florida. This survey dealt with direct-dial intraLATA toll calling, rather than 0+ calling, and showed that roughly 70 percent of consumers would refuse to use a 5-digit access code. See Exhibit A.

[11] <u>U.S. v. Western Electric Co.</u>, 698 F.Supp. 348, 362 (D.D.C. 1988).

access code to use for a particular call. For example, 10XXX, which is the shortest and most convenient access code, does not work from non-equal access areas and does not work from a large number of public phones today. Under the Commission's decisions in CC Docket No. 91-35, 10XXX does not work from a large number of public phones today and may not be fully unblocked from public phones until 1997 (see n. 2, supra). By contrast, under billed party preference, consumers can be connected to their preferred carrier simply by dialing 0+.

The Commission also asks (id.) whether, because of greater customer experience with dialing access codes during the period that would be necessary to implement billed party preference, consumer attitudes towards access code dialing are likely to change. There is no reason to believe this will be the case. Sprint has had to resort to access code dialing for its calling cards from the outset. Despite the fact that its customers have had more than five years' experience dialing an access code, Sprint would love nothing more than to be able to offer its customers the convenience of 0+ dialing. If AT&T and the LECs had to require their customers to always dial an access code, we are confident that they would share Sprint's view. Consumers may acquiesce in dialing access codes to be sure of reaching their preferred carrier and to avoid paying the high rates charged by many alternative operator service providers. However, consumer sufferance should not be equated with consumer preference or convenience.

V. BILLED PARTY PREFERENCE WOULD PROMOTE CONSUMER-FOCUSED OPERATOR SERVICE COMPETITION.

In paragraph 24 of the NPRM, the Commission asked for comment on the effect that various designs of billed party preference would have on operator service competition (id. at 3031). There can be little serious question that billed party preference would promote an environment in which operator service providers can compete, on a level playing field, by offering the best combination of prices and service features to the public. As Sprint has summarized in Section I of these comments, AT&T today has two synergistic advantages in the operator service market: a more convenient-to-use card, since AT&T has a sufficiently large base of presubscribed phones to be able to offer 0+ dialing for most calls, and a clear advantage in public phone presubscription because of its large calling card base. Thus, the Commission is entirely correct in observing that if the present competitive structure based on public phone presubscription continues in effect, "aggregators will face growing incentives to presubscribe their public phones to [] AT&T, thereby increasing its advantage with respect to 0+ calling" (NPRM, para. 20, 7 FCC Rcd at 3030).

By contrast, under billed party preference, all OSPs can offer calling cards with the convenience of 0+ access, and even AT&T's cards would be more convenient than they are now, since its customers would not have to dial an access code to reach AT&T from the minority of phones that are presubscribed to other carriers. Furthermore, since the choice of carrier would be dictated by the consumer, rather than the owner of the premises on which the phone is located, all operator service providers would concentrate their competitive energies on providing high quality service, innovative features, and low prices to the consumers who are making and paying for the operator services calls. This is the form of competition that would redound to the public benefit and that the Commission should promote through its regulatory jurisdiction.

Obviously, consumer-focused competition would have differing effects on existing service providers. AT&T would lose the advantages that give it an unfair edge over other competitors in today's marketplace, but even AT&T would gain the advantage of 0+ access for its customers from all phones, not just the majority that are presubscribed to AT&T. Full service competitors of AT&T, including both national carriers such as Sprint and MCI, and smaller regional carriers, would be able to compete with AT&T on a level playing field. The concern of regional full service carriers that their lack of national scope would disadvantage them in a billed party preference environment is unfounded. By implementing a secondary 0+ PIC within the LEC LIDB, the smaller IXCs would be able to make arrangements to use another IXC to handle LEC card, collect, and billed-third-number calls that are made outside their service areas. Similar arrangements can be made for handling calls using calling cards they issue that are stored in the LEC LIDBs (e.g., line-numbered cards). If these carriers instead keep the validation for the calling cards they issue in their own databases (e.g., CIID or 891 cards), the LECs would normally route the call to the carrier identified by the first six digits of the call. However, the regional IXCs could issue ASRs to LECs operating outside their service areas to instruct the LECs how to route the traffic.

The operator service providers who are least likely to fare well under billed party preference are the alternative operator service providers that heretofore have focused their efforts on charging high rates to consumers in order to maximize commission payments to premises owners. Many of these companies have claimed that billed party preference is unfair because it requires a carrier to be a 1+ carrier in order to survive in a billed party preference environment. However, since the LEC LIDBs permit selection of a 0+ carrier (indeed a primary and secondary 0+ carrier) that can be different from the 1+ carrier, the alternative operator service providers need not engage in 1+ service in order to be able to compete for the LEC calling card, collect, and billed-third number traffic. Instead, they can solicit consumers to designate them as the 0+ PIC. Moreover, they can directly market their own calling cards to customers.

Many of these AOS providers also have claimed that their rates reflect the highly valuable services that they provide to the public, such as foreign language operators, etc.[12] Billed party preference would put these claims to the test of the marketplace. If the public shares the AOS providers' view of the services they offer, they, too, should be able to compete in a billed party preference environment. However, no carrier has the

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[12]Sprint would point out that full-service carriers provide such services as well.

right to gouge the public, and the Commission should not fashion a regulatory structure that protects the carriers that do so.

VI. THE ESTIMATED COSTS OF BILLED PARTY PREFERENCE.

In para. 25 (id. at 3031), the Commission asks for estimates of the costs of implementing billed party preference and how these costs are likely to affect the rates consumers pay for operator services. While Sprint firmly supports the timely implementation of billed party preference, at this stage of billed party preference procedural development, many uncertainties exist relative to the ultimate service design of billed party preference. Therefore, estimating the cost of billed party preference with any degree of accuracy is speculative at best. However, United has had preliminary contacts with major vendors to explore the costs of network enhancements necessary to deploy billed party preference, including both billed party preference and AABS software and hardware. While these vendor estimates may change, and while final costs will be influenced by the billed party preference service design ultimately mandated by the Commission, United estimates it can equip each of its 20 operator tandem sites with billed party preference software at a cost of approximately $600,000 per site, for a total system cost of approximately $12 million. This would enable United to provide 6 digit screening functionality for calls using 891 and CIID calling card formats at each of its 20 operator tandems, as well as tandem intelligence to launch a query to the LIDB for carrier determination on other types of calls and subsequently route the call to the presubscribed IXC. Also, United would incur